

THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

2004/2005 Program Overview and Instructions

This package provides an overview of The Local Choice (TLC) benefit plans available in your area and the necessary information to renew your health care program with TLC effective July 1, 2004 (October 1, 2004 for certain school groups).

As the result of our recent procurement, our TLC statewide self-funded programs will experience several changes on your renewal date. While benefits, deductibles and co-payments remain virtually unchanged, we will change claims administrators on several components of these plans.

Employer plan options will remain as **Standard Package** that includes Key Advantage, Key Advantage Expanded, and Cost Alliance with Dental and **Value Package** including KeyShare, KeyShare with Expanded Benefits and Value Alliance with Dental Benefits. You may pick from *either* the Standard Package or the Value Package. The benefits from the two packages *cannot* be mixed and only one Key Advantage or KeyShare product may be offered.

A fully insured HMO is offered by Kaiser Permanente in Northern Virginia, Washington D.C., and parts of Maryland. If applicable to your area, information on this plan and service area is included for your review.

The TLC program continues to enjoy significant growth. Today, TLC has 226 member groups with over 38,000 enrolled employees, retirees and family members covered by our plans. Although the majority of TLC groups have elected Key Advantage or Key Advantage with Expanded Benefits, consideration should be given to Cost Alliance and the Value Package choices. These options may help reduce the impact of the rising cost of health care and assist in reducing any budget problems that you might be experiencing.

EMPLOYER-SPECIFIC PROGRAM DESIGN

- Our renewal package provides an outline of program requirements for renewal of The Local Choice Health Benefits program.
- An employer has the option of changing program benefit designs during this renewal process. Keep in mind that no 4th quarter employee deductible carry over will be credited with a plan change. Provided in this package are the monthly rates and benefit outlines for all TLC plans available in your area. Groups with 25 or fewer eligible employees may select only one benefit plan.
- An employer may change its definition of eligible employees and retirees so long as it coincides with your published personnel practices. Written notification of any changes must be submitted to the Department of Human Resource Management (DHRM) with your Renewal Employer Data Sheet. DHRM will review the changes for compliance with state regulations.

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- Retiree coverage is available but not automatically provided. A local employer must choose to offer retiree coverage by providing a written request to DHRM along with an approved resolution from its Board or Governing Body. All groups in our 50 and under pool receive rates that automatically incorporate blended premiums for early retirees, if coverage is offered. Their active employees and Retirees Not Eligible for Medicare will have the same rates. If a local employer with more than 50 participating employees offers coverage to Retirees Not Eligible for Medicare, they may blend that premium with the active employee premium or elect stand-alone rates. With stand-alone rates, Retirees Not Eligible for Medicare pay 2.65 times the active employee rates. Please note that once a premium is blended, it may not revert to stand-alone.
- The Regional HMO offers only blended rates to Retirees Not Eligible for Medicare. Coverage for Medicare Eligible Retirees is not available. Only groups that offer our statewide self-funded plans may offer this coverage. Coverage must be offered to Retirees Not Eligible for Medicare in order for a group to offer coverage to Medicare Eligible Retirees.

Choice of Plans – Statewide and Regional

TLC offers one of the most comprehensive family of plans available in the state. Most employers may choose from several combinations of the following plans:

Statewide Plans:

Self-funded medical plans are administered by Anthem Blue Cross and Blue Shield. Dental coverage is administered by Delta Dental of Virginia. Mental illness and substance abuse and employee assistance programs are administered by ValueOptions, Inc. Pharmacy coverage is administered by Medco Health Solutions, Inc. In all statewide self-funded plans admission to a hospital for an inpatient stay must be approved in advance, or within 48 hours in the case of an emergency or the birth of a child.

Standard Package

Key Advantage

Key Advantage is a preferred provider organization (PPO) plan offering routine medical care and specialist care without referral requirements. In addition to medical services, the plan includes outpatient three-tier prescription drug, mental health and substance abuse, and preventive and primary dental benefits.

Note: Beginning with the 2004-05 fiscal year, Key Advantage products will change from calendar year to plan year programs. Deductible and out of pocket accumulation periods will run from July through June rather than January through December. No one covered by our plans will lose benefit during the transition.

- **Medical Services**

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While members receive the highest level of benefits when visiting an in-network provider, Key Advantage also provides out-of network coverage for covered medical services but at a 25% reduction in reimbursement. The Anthem Blue Cross and Blue Shield BlueCard PPO network allows for in-network care outside of Virginia, without penalty, through BlueCard participating providers.

- **Mental Health and Substance Abuse Services**

Key Advantage offers mental health and substance abuse services and an Employee Assistance Program (EAP) through ValueOptions, Inc. Members are encouraged to contact ValueOptions for prior authorization of benefits to verify medical necessity and avoid a 25% reduction in plan payment for services received outside the network. Under the EAP, members receive four visits per incident at no cost.

- **Dental and Outpatient Prescription Drug Benefits**

Primary and preventive dental benefits are provided through Delta Dental Plan of Virginia, while the outpatient prescription drug program is administered by Medco Health Solutions, Inc. Members pay less when using an in-network dentist or pharmacy. Non-network providers may balance bill members and may not offer negotiated discounts. Delta Dental offers a national network of providers. Medco may be contacted for information about its pharmacy network and drug tier listings.

Key Advantage With Expanded Benefits

This expanded plan offers the same basic benefits as Key Advantage and is expanded to include preventive medical care, a vision program, immunizations, and major restorative and orthodontic dental benefits.

Cost Alliance With Dental

Cost Alliance with Dental is a lower cost preferred provider organization (PPO) plan. Outpatient three-tier prescription drug, mental health and substance abuse, and dental benefits are included in the plan.

Note: Beginning with the 2004-05 fiscal year, Cost Alliance with Dental will change from a calendar year to a plan year program. Benefit and out of pocket accumulation periods will run from July through June rather than January through December. No one covered by this plan will lose benefit during the transition.

- **Medical Services**

Routine medical care and specialist care are available in Virginia through the Anthem PPO Network. **There is no medical coverage for services received out of network except for urgent or emergency services.**

- **Mental Health and Substance Abuse Services**

Cost Alliance offers mental health and substance abuse services and an Employee Assistance Program (EAP) through ValueOptions, Inc. Members are encouraged to contact ValueOptions for prior authorization of benefits to verify medical necessity.

There is no Mental Health and Substance Abuse coverage for services received out of network except for urgent or emergency services.

- **Dental and Outpatient Prescription Drug Benefits**

Dental benefits are provided through Delta Dental Plan of Virginia, while the outpatient prescription drug program is administered by Medco Health Solutions, Inc. Members pay less when using an in-network dentist or pharmacy. Non-network providers may balance bill members and may not offer negotiated discounts. Delta Dental offers a national network of providers. Medco may be contacted for information about its pharmacy network and drug tier listings. Dental benefits include preventive care, primary services, major restorative services and orthodontics.

Value Package

KeyShare

KeyShare is a preferred provider organization (PPO) plan offering routine medical care and specialist care without referral requirements. A lower premium is achieved through cost sharing with deductible and coinsurance in addition to physician copayments that are not subject to deductible or coinsurance. In addition to medical services, the plan includes outpatient three-tier prescription drug, mental health and substance abuse, preventive care screenings and tests, immunizations and vaccines and preventive and primary dental benefits.

- **Medical Services**

While members receive the highest level of benefits when visiting an in-network provider, KeyShare also provides out-of network coverage for covered medical services but at a 25% reduction in reimbursement. The Anthem Blue Cross and Blue Shield BlueCard PPO Network allows for in-network care outside of Virginia, without penalty, through BlueCard participating providers.

- **Mental Health and Substance Abuse Services**

KeyShare offers mental health and substance abuse services and an Employee Assistance Program (EAP) through ValueOptions, Inc. Members are encouraged to contact ValueOptions for prior authorization of benefits to verify medical necessity and avoid a 25% reduction in plan payment for services received outside the network. Under the EAP, members receive four visits per incident at no cost.

- **Dental and Outpatient Prescription Drug Benefits**

Primary and preventive dental benefits are provided through Delta Dental Plan of Virginia, while the outpatient prescription drug program is administered by Medco Health Solutions, Inc. Members pay less when using an in-network dentist or pharmacy. Non-network providers may balance bill members and may not offer

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negotiated discounts. Delta Dental offers a national network of providers. Medco may be contacted for information about its pharmacy network and drug tier listings.

KeyShare Expanded

The expanded plan includes the same benefits as KeyShare, with the addition of a vision program and major restorative and orthodontic dental benefits.

Value Alliance With Dental

Value Alliance with Dental is a lower cost preferred provider organization (PPO) plan. Outpatient three-tier prescription drug, mental health and substance abuse, and dental benefits are included in the plan.

- **Medical Services**

Routine medical care and specialist care are available in Virginia through the Anthem PPO Network. **There is no medical coverage for services received out of network except for urgent or emergency services.**

- **Mental Health and Substance Abuse Services**

Value Alliance offers mental health and substance abuse services and an Employee Assistance Program (EAP) through ValueOptions, Inc. Members are encouraged to contact ValueOptions for prior authorization of benefits to verify medical necessity. **There is no Mental Health and Substance Abuse coverage for services received out of network except for urgent or emergency services.**

- **Dental and Outpatient Prescription Drug Benefits**

Dental benefits are provided through Delta Dental Plan of Virginia, while the outpatient prescription drug program is administered by Medco Health Solutions, Inc. Members pay less when using an in-network dentist or pharmacy. Non-network providers may balance bill members and may not offer negotiated discounts. Delta Dental offers a national network of providers. Medco may be contacted for information about its pharmacy network and drug tier listings. Dental benefits include preventive care, primary services, major restorative services and orthodontics.

Statewide Medicare Retiree Plans:

For groups currently offering coverage to retirees eligible for Medicare, Medicare Complementary, Advantage 65 and Advantage 65 with Dental/Vision plans continue to be available. However, groups adding retiree benefits to their program for the first time may offer only Advantage 65 or Advantage 65 with Dental/Vision. A local employer may also add Dental/Vision coverage to the current Advantage 65 contract. **It is important to**

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remember that a local employer may select only one plan for Medicare eligible retirees. These plans are available if your active employees are enrolled in a statewide self-funded plan and you elect to offer coverage to both Retirees Not Eligible for Medicare and Retirees Eligible for Medicare.

Advantage 65

Advantage 65 provides supplemental health benefits for your Medicare eligible retirees. Outpatient three-tier drug and out of country major medical benefits are included in the plan.

Advantage 65 with Dental/Vision

As a group option, you may elect to add Dental/Vision coverage to Advantage 65. This product provides Advantage 65 coverage plus dental and vision coverage.

Dental: Administered by Delta Dental of Virginia, the plan pays 100% of Allowable Charge (AC) for diagnostic and preventive services and 80% of AC for primary services. Up to \$1200 per member per plan year is payable.

Vision: Once every 24 months, the plan pays up to \$40 for one routine eye exam, up to \$75 for one pair of frames, up to \$50 per pair of single lenses, up to \$75 per pair of bifocal lenses, up to \$100 per pair of trifocal lenses, and up to \$100 for contact lenses. Anthem Blue Cross and Blue Shield administers vision coverage.

Medicare Eligible Premiums

Medicare eligible monthly premiums will not increase over last year's rates. They remain:

Medicare Complementary	\$246	Advantage 65	\$275
Advantage 65 with Dental/Vision	\$300		

Three Tier Prescription Drug Coverage for all Statewide TLC Plans

Prescription drugs are divided into three-tiers or categories. You pay the appropriate copayment by tier. To determine in which tier a prescription drug falls, go to www.medcohealth.com. The chart below illustrates drug copayments.

	First Tier Co-payment Typically Generic Drugs	Second Tier Co-payment Lower Cost Brand Name Drugs and Some Generic Drugs	Third Tier Co-payment Typically Higher Cost Brand Name Drugs
Participating Retail Pharmacy Per 34-day supply *	\$15	\$20	\$35

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Home Delivery Pharmacy
Up to 90-day supply

\$18

\$33

\$63

Regional Plans:

Regional HMO service area and plan available:

- Northern Virginia – Kaiser Permanente (HMO)

A more detailed outline of the service area and benefits may be found in the Kaiser HMO brochure. Mental illness and substance abuse, prescription drug and dental coverage are included in the Kaiser HMO plan.

EMPLOYER OFFERINGS

Larger employers may offer employees one plan or a combination of plans. Please note that only one Package may be offered and only one Key Advantage or KeyShare plan may be offered within that package. You may choose from:

<u>Standard Package</u>	<u>Value Package</u>
<ul style="list-style-type: none">• Key Advantage• Key Advantage Expanded• Cost Alliance• Key Advantage and Cost Alliance• Key Advantage Expanded and Cost Alliance	<ul style="list-style-type: none">• KeyShare• KeyShare Expanded• Value Alliance• KeyShare and Value Alliance• KeyShare Expanded and Value Alliance
<ul style="list-style-type: none">• Regional HMO Plan	<ul style="list-style-type: none">• Regional HMO Plan

- You may pick from either the Standard Package or the Value Package. The two packages cannot be mixed.
- The HMO plan, if available in your area, may be offered in combination with Standard or Value Packages or as a stand-alone option.
- Groups with 25 or fewer eligible employees may offer only one benefit plan.
- Groups with 26 to 100 eligible employees may offer up to two plan options.
- Groups with more than 100 eligible employees may offer up to three plan options if the regional HMO is available in your area.

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COMMONHEALTH

The CommonHealth wellness program is a value-added benefit available at no cost to all TLC member groups. (A small charge may be made to the employee for participation in various programs.) CommonHealth provides medical screenings, health risk appraisal, Baby Benefits (pre-natal risk management), weight loss, and stress management as well as other Health and Wellness programs. Since wellness programs often can help control claims costs, we strongly encourage you to take advantage of this program. The CommonHealth program is provided and administered by Continental Health Promotion, Inc. and all employees and their dependents covered by any TLC program are eligible to participate.

PREMIUM DEVELOPMENT

Rates for the self-insured Standard Package or Value Package plans are based on the following rating pools in addition to group demographics.

Rating Pools

- Community or pooled - group size of 1 through 49 employees
- Experience Rated

<u>Group Size</u>	<u>Credibility Factor</u>
◆ 50 - 99	41% of the group's medical experience
◆ 100 - 149	58% of the group's medical experience
◆ 150 - 199	71% of the group's medical experience
◆ 200 - 249	82% of the group's medical experience
◆ 250 - 299	91% of the group's medical experience
◆ 300+	100% of the group's medical experience

- Experience rating applies to Medical components only. Mental health and substance abuse, prescription drugs and dental claims are pooled, based on the combined experience of all TLC groups, regardless of size.
- Other key medical-surgical components in your renewal include an annual trend factor of 13%. Medical/Surgical attachment points remain \$50,000 for groups with fewer than 300 participating employees and \$70,000 for groups with greater than 300 participating employees.
- Monthly employee plus one and family rates are calculated as a factor of the single employee rate. The relationship between the single, dual, and family rates remain the same as in the current plan year:
single = 1, employee plus one = 1.85 X single rate, and family = 2.70 X single rate.
- The regional Kaiser HMO plan is pooled and fully insured by the carrier.

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EMPLOYER CONTRIBUTION

Required minimum employer contributions remain unchanged.

- Full time single - 80%
- Additional cost of dependent coverage - 20% if applicable
- Part-time single - 40%
- Additional cost for part time dependent coverage – 10% if applicable

If 75% of all eligible employees enroll, the dependent contribution requirement is waived.

RENEWAL ACCEPTANCE

To renew your coverage with The Local Choice program complete the enclosed Employer Renewal Data Sheet and return it to TLC in the envelope provided. **DHRM must receive the completed forms by Thursday, April 1, 2004.** The Department will consider an extension of this deadline only with your written request. **An extension of the response deadline does not eliminate or delay the 90-day notice requirement for termination of your program as outlined below.** You will receive a letter from DHRM confirming your renewal, benefits plans, premiums and employer contribution requirements.

RENEWAL ENROLLMENT PROCESS

After DHRM has confirmed your renewal information, open enrollment materials may be ordered based on the benefit plans you have selected and your enrollment. Our Materials Order Form is enclosed for your convenience.

Open Enrollment meetings are mandatory and may be held at your convenience from April 1, 2004 through May 15, 2004. Representatives from the carriers you select will be available to assist you with your renewal enrollment process but you must contact them and make the appropriate scheduling arrangements. Anthem may be contacted at (804) 354-7208. Kaiser may be reached at (703) 873-1503.

All selected carriers must receive completed Enrollment forms for individual changes by June 1, 2004. If you continue to offer the same program choices, we do not require a complete re-enrollment. If different plan selections are made, a re-enrollment is necessary. For some school systems the deadline is September 1, 2004 for an October 1, 2004 renewal date.

TERMINATION

For information on termination, please reference 1 VAC 55-20-160, 1 VAC 55-20-290 and 1 VAC 55-20-300 of the Virginia Administrative Code. According to these regulations, if you choose to terminate participation in The Local Choice Health Benefits program, DHRM must receive written notification at least 90 days prior to the date of termination. Please note that the 90-day notification will not be extended by a request to extend the April 1, 2004 renewal deadline. A terminating Local Choice group will receive notification of any adverse

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experience adjustments (AEA) within 90 days of the end of the plan year in which termination took place. You must make arrangements to pay any adverse experience adjustment within 31 days of receipt of the Adverse Experience Adjustment Notice. **Since AEA is an exact look back limit of liability, it cannot be accurately estimated.**

THE LOCAL CHOICE SUPPORT

Your Anthem Blue Cross and Blue Shield and Kaiser HMO representatives are available to assist you with the details of your renewal. If you need support in the area of program benefits or policy administration, please contact Walter Norman, TLC Program Manager at (804) 786-6460 or Bill King, Senior Benefits Specialist at (804) 371-6211. You may also send inquiries by e-mail to tlc@dhrm.state.va.us.

Thank you for your continued support of The Local Choice program.